

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Holton Township	County Muskegon
Fiscal Year End 06/30/07	Opinion Date 10/31/07	Date Audit Report Submitted to State 11/19/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

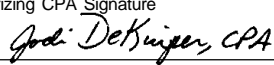
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate PC		Telephone Number 231-924-6890	
Street Address 711 W Main		City Fremont	State Zip MI 49412
Authorizing CPA Signature 	Printed Name Jodi DeKuiper, CPA		License Number 1101021180

**HOLTON TOWNSHIP
MUSKEGON COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

June 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
List of Principal Individuals	ii
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
BASIC FINANCIAL STATEMENTS	
Governmental Wide Statement of Net Assets	6
Governmental Wide Statement of Activities	7
Government Fund Balance Sheet	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance	10
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Assets - Fiduciary Funds	12
Notes to the Financial Statements	13-23
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparisons for Major Funds:	
General Fund	24
Fire Fund	25
Fire Equipment Fund	26
SUPPLEMENTAL INFORMATION:	
Combining Balance Sheet - Non-Major Governmental Funds	27
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds	28
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	29-33

HOLTON TOWNSHIP

Board Members

	<u>Position</u>
Mickey Noble	Supervisor
William Halbower	Treasurer
Melanie Johnson	Clerk
Anita Kittle	Trustee
Alan Wilson	Trustee

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Township Board
Holton Township
Muskegon County
Holton, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township, Michigan as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 24 through 26, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Grand Rapids
3986 Lake Michigan Dr. NW
Grand Rapids, MI 49546
Phone (616) 453-8551
Fax (616) 453-9352

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

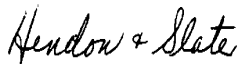
Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holton Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
October 31, 2007

HOLTON TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended June 30, 2007

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 8.9% from a year ago - increasing from \$1.28 million to \$1.39 million. The dollar amount of this increase is comparable to prior years and due mainly to additional investment in capital assets, reduction in overall long term debt, and a decrease in Township expenses during the year.

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Current Assets	\$ 902,396	\$ 844,089
Noncurrent Assets	<u>559,709</u>	<u>535,774</u>
Total Assets	<u>\$ 1,462,105</u>	<u>\$ 1,379,863</u>
Long-Term Debt Outstanding	\$ 41,111	\$ 68,462
Other Liabilities	<u>26,821</u>	<u>31,626</u>
Total Liabilities	<u>\$ 67,932</u>	<u>\$ 100,088</u>
Net Assets		
Invested in Capital Assets-Net of Debt	\$ 518,598	\$ 467,312
Restricted	35,200	48,554
Unrestricted	<u>840,375</u>	<u>763,909</u>
Total Net Assets	<u>\$ 1,394,173</u>	<u>\$ 1,279,775</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, increased by \$76,466 for the governmental activities. This represents an increase of approximately 10%.

Management's Discussion and Analysis (Continued)

	Activities	
	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for Services	\$ 81,402	\$ 82,606
General Revenues		
Property Taxes	199,153	192,846
State Shared Revenues	191,980	194,733
Federal Revenues	1,270	1,373
Investment Earnings	35,160	20,028
Miscellaneous	29,311	32,097
Total Revenues	\$ 538,276	\$ 523,683
Program Expenses		
General Government	209,883	213,592
Public Safety	137,612	146,008
Public Works	43,496	68,841
Community/Economic Development	7,667	7,820
Recreation and Culture	6,374	12,938
Other	15,672	15,238
Unallocated Depreciation	-	13,473
Interest on Long-Term Debt	3,174	3,530
Total Expenses	423,878	481,440
Change in Net Assets	\$ 114,398	\$ 42,243

The Township's total net assets continue to remain healthy. The total revenues increased by approximately 3% while expenses decreased by nearly 12%. As a result, net assets grew by \$114,398, \$72,155 more than last year.

Governmental Activities

The Township's total governmental revenues increased by \$38,694. The following revenues saw the largest increases: Property taxes increased by \$6,307 or 3.2% and interest increased by \$15,132 or 75.6%.

Expenses decreased by \$53,411 over the prior year, partially due to road work not done in current year and less capital outlay in the current year.

Business-Type Activities

The Township had no business type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, the Fire Fund, and the Fire Equipment Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not find it necessary to amend the budget to take into account events during the year. However, the Board did have immaterial over-expenditures on several activities as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$889,962 invested in a broad range of capital assets, including land, buildings, fire trucks and equipment, and other vehicles and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Muskegon County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008 calls for stagnant property taxes due to the limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that state shared revenue will decrease slightly. General Fund expenditures were budgeted for 39% increase from the previous budget, the majority of which is for addition of park trails and cemetery development.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

HOLTON TOWNSHIP

Government Wide Statement on Net Assets June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 855,340
Accounts Receivable	32,226
Accounts Receivable-Fiduciary Funds	5,235
Prepaid Insurance	9,595
Property and Equipment	889,962
Accumulated Depreciation	<u>(330,253)</u>
Total Assets	1,462,105
LIABILITIES	
Accounts Payable	10,745
Accrued Wages	9,649
Withheld and Accrued Payroll Taxes	4,501
Accrued Pension Costs	1,926
Capital Lease - Copier	1,828
Note Payable - Rescue Van	3,431
Note Payable - Fire Truck	<u>35,852</u>
Total Liabilities	<u>67,932</u>
NET ASSETS	
Invested in Capital Assets	
Net of Related Debt	518,598
Restricted for Perpetual Care	35,200
Unrestricted	<u>840,375</u>
Total Net Assets	<u><u>\$ 1,394,173</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Government Wide Statement of Activities For the Fiscal Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 209,883	\$ 51,402	\$ (158,481)
Public Safety	137,612	30,000	(107,612)
Public Works	43,496	-	(43,496)
Community/Economic Development	7,667	-	(7,667)
Recreation and Culture	6,374	-	(6,374)
Capital Outlay	15,672	-	(15,672)
Interest on Long-Term Debt	3,174	-	(3,174)
Total Primary Government	<u>\$ 423,878</u>	<u>\$ 81,402</u>	(342,476)

General Revenues

Property Taxes - Levied for General Purpose	71,447
Property Taxes - Levied for Public Safety	127,706
State Sources	191,980
Federal Sources	1,270
Interest and Rents	35,160
Miscellaneous	29,311
Total General Revenues	<u>456,874</u>
Change in Net Assets	114,398
Net Assets - July 1, 2006	<u>1,279,775</u>
Net Assets - June 30, 2007	<u>\$ 1,394,173</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Governmental Fund Balance Sheet June 30, 2007

	General Fund	Fire Fund	Fire Equipment Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 458,194	\$ 221,189	\$ 92,852	\$ 83,105	\$ 855,340
Accounts Receivable	32,226	-	-	-	32,226
Due from Other Funds	6,167	-	-	1,125	7,292
Total Assets	<u>\$ 496,587</u>	<u>\$ 221,189</u>	<u>\$ 92,852</u>	<u>\$ 84,230</u>	<u>\$ 894,858</u>
LIABILITIES					
Accounts Payable	\$ 10,745	\$ -	\$ -	\$ -	\$ 10,745
Withheld and Accrued					
Payroll Taxes	3,878	599	-	24	4,501
Accrued Pension Costs	706	1,220	-	-	1,926
Accrued Wages	7,776	1,748	-	125	9,649
Due to Other Funds	1,125	-	-	932	2,057
Total Liabilities	24,230	3,567	-	1,081	28,878
FUND BALANCES					
Unreserved	472,357	217,622	92,852	47,949	830,780
Reserved	-	-	-	35,200	35,200
Total Fund Balances	<u>472,357</u>	<u>217,622</u>	<u>92,852</u>	<u>83,149</u>	<u>865,980</u>
Total Liabilities and Fund Balances	<u>\$ 496,587</u>	<u>\$ 221,189</u>	<u>\$ 92,852</u>	<u>\$ 84,230</u>	<u>\$ 894,858</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended June 30, 2007

Total Governmental Fund Balances	\$	865,980
----------------------------------	----	---------

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period.	9,595
--	-------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	889,962
Governmental Accumulated Depreciation	(330,253)

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General Obligation Debt	<u>(41,111)</u>
-------------------------	-----------------

Total Net Assets - Governmental Activities:	<u><u>\$ 1,394,173</u></u>
---	----------------------------

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance For the Fiscal Year Ended June 30, 2007

	General Fund	Fire Fund	Fire Equipment Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 71,447	\$ 94,620	\$ 33,086	\$ -	\$ 199,153
Licenses and Permits	19,544	-	-	-	19,544
State Sources	190,855	-	-	1,125	191,980
Federal Sources	1,270	-	-	-	1,270
Charges for Services	31,858	30,000	-	-	61,858
Interest and Rents	20,180	8,354	3,029	3,597	35,160
Refunds and Reimbursements	23,902	-	-	-	23,902
Other	1,118	211	-	4,080	5,409
Total Revenues	360,174	133,185	36,115	8,802	538,276
EXPENDITURES					
General Government	204,870	-	-	-	204,870
Public Safety	19,759	92,644	-	2,076	114,479
Public Works	32,642	-	-	4,838	37,480
Community and Economic Development	7,667	-	-	-	7,667
Recreation and Culture	3,726	-	-	-	3,726
Capital Outlay	66,308	9,917	-	-	76,225
Debt Service	2,076	-	28,449	-	30,525
Total Expenditures	337,048	102,561	28,449	6,914	474,972
Excess Revenue Over (Under) Expenditures	23,126	30,624	7,666	1,888	63,304
Fund Balance - July 1, 2006	449,231	186,998	85,186	81,261	802,676
Fund Balance - June 30, 2007	<u>\$ 472,357</u>	<u>\$ 217,622</u>	<u>\$ 92,852</u>	<u>\$ 83,149</u>	<u>\$ 865,980</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	63,304
--	----	--------

Amounts reported for governmental activities in the statement of activities are different because:

Prepaid Insurance reflects amounts that will be used in a future period.

Current Year Prepaid Insurance	9,595	
Prior Year Prepaid Insurance	<u>(9,787)</u>	(192)

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	76,225	
Capital outlay reported as expenses in statement of activities	(15,672)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) in assets	-	
Depreciation expense reported in the statement of activities	<u>(36,618)</u>	23,935

Proceeds from debt issues are another financing source in the funds, but a debt issue increases long-term obligation in the statement of net assets.

-

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

Proceeds from long-term debt reported in governmental fund statements.

-

The amount of debt principal payments in the current year is:	<u>27,351</u>
---	---------------

Changes in Net Assets - Governmental Activities	<u>\$</u>	<u>114,398</u>
---	-----------	----------------

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Statement of Net Assets - Fiduciary Funds June 30, 2007

	<u>Tax Fund</u>	<u>Trust and Agency Fund</u>
ASSETS		
Cash and Investments	\$ 4,776	\$ 1,777
LIABILITIES		
Due to Other Funds	4,776	459
Due to Other Units	<u>-</u>	<u>1,318</u>
Total Liabilities	4,776	1,777
NET ASSETS		
Unreserved	<u>\$ -</u>	<u>\$ -</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Holton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Holton Township.

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Notes to the Financial Statements (continued)

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by June 30; therefore, a receivable is recorded for this amount. For fiscal year-end June 30, 2007, this amount was \$28,830.

Notes to the Financial Statements (continued)

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 28th. After February 28th they are added to the County tax rolls. The 2006 delinquent taxes of \$32,607 were received by June 2007, thus no taxes receivable has been recorded.

The 2006 taxable valuation of the Township totaled \$48,808,476 on which ad valorem taxes levied consisted of 1.1002 mills for general operating, .6791 mills for fire equipment, and 1.9427 mills for fire operating raising \$71,447 for operating, \$33,086 for fire equipment and \$94,620 for fire operational. The Township also collects property taxes for street lights, the taxable value is \$5,350,000 and the millage rate is .3000 which raised \$1,605. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

The Fire Equipment Fund accounts for property tax revenues that are restricted for the purchase of fire/emergency equipment.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Notes to the Financial Statements (continued)

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets - Cash in the Perpetual Care Fund is restricted. The corpus can not be spent, however income earned from the restricted cash may be used to maintain the cemetery.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years
Fire Trucks	15 to 20 years

Salvage value is estimated at 10% of cost

Notes to the Financial Statements (continued)

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick pay benefits. Vacation benefits do not accumulate. Any unused vacation is paid annually. Sick pay was not accrued at the beginning or end of the year as the amount was immaterial.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. All Township long-term debt is related to equipment purchases.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
Fire Fund - Repairs and Maintenance	7,000	9,057
- Utilities	9,000	9,218
General Fund - Public Works		
Transfer Station	35,928	37,012

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks, and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	Governmenta	Fiduciary	Total
	Activities	Funds	Primary
			Government
Cash and Cash Equivalents	\$ 855,340	\$ 6,553	\$ 861,893

The bank balance of the Township's deposits is \$878,356, of which \$385,710 is covered by federal depository insurance, \$3,164 is uninsured and \$489,482 is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Notes to the Financial Statements (continued)

Depositories actively used by the Township during the year are detailed as follows:

1. Chemical Bank
2. Fifth Third Bank
3. Choice One Bank
4. National City Bank
5. Shelby State Bank
6. Huntington Bank

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Fire Equipment Fund	Non-Major and Other Funds	Total
State Shared Revenue	\$ 28,830	\$ -	\$ -	\$ -	\$ 28,830
Fiduciary Funds	5,235	-	-	-	5,235
Other Gross Receivables	3,396	-	-	-	3,396
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u><u>\$ 37,461</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,461</u></u>

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$149,335	\$35,260	\$ -	\$ 184,595
Capital Assets Being Depreciated				
Buildings	135,360	14,004	-	149,364
Land Improvements	70,446	11,289	-	81,735
General Equipment	61,454	-	-	61,454
Fire Equipment	<u>412,814</u>	<u>-</u>	<u>-</u>	<u>412,814</u>
Subtotal	680,074	25,293	-	705,367

Notes to the Financial Statements (continued)

Less Accumulated Depreciation for				
Buildings	43,762	2,685	-	46,447
Land Improvements	4,021	3,512	-	7,533
General Equipment	25,606	7,664	-	33,270
Fire Equipment	220,246	22,757	-	243,003
Subtotal	293,635	36,618	-	330,253
Net Capital Assets being depreciated	386,439	(11,325)	-	375,114
Total Governmental Activities Capital Assets - Net of Depreciation	<u>\$535,774</u>	<u>\$23,935</u>	<u>\$ -</u>	<u>\$ 559,709</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 4,279
Public Safety	23,675
Public Works	6,016
Recreation & Culture	<u>2,648</u>
Total Governmental Activities	<u>\$36,618</u>

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
General Fund	\$ 6,167	General Fund	\$ 1,125
Liquor License	1,125	Fire Equipment Fund	-
Road , Sidewalk, Bridges	-	Perpetual Care Fund	932
Street Light	-	Trust & Agency Fund	459
		Tax Account	4,776
	<u>\$ 7,292</u>		<u>\$ 7,292</u>

Interfund Transfers

	<u>Transfers (Out)</u>
	<u>General Fund</u>
Transfers In	
Non-Major Governmental Funds	\$ -
Transfers Out	
General Fund	\$ -

Notes to the Financial Statements (continued)

NOTE G LEASES

Capital Leases - The government has entered into a lease agreement as lessee for financing the purchase of copy machines. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

<u>Year Ended</u>	
2008	1,375
2009	<u>573</u>
Total Minimum Lease Payments	1,948
Less: Amounts Representing Interest	<u>(120)</u>
Present Value	<u><u>\$ 1,828</u></u>

NOTE H LONG-TERM DEBT

The Township entered into an agreement to refurbish a fire truck for \$62,455. Payments of \$3,476.07, including 4.39% interest are due quarterly from July 1, 2005 to August 15, 2004 to April 1, 2010. The loan is collateralized by the truck and the full faith and credit of the Township.

The Township entered into an agreement to purchase equipment for \$27,733. A down payment of \$2,500 was made upon delivery, July 23, 2003, with the balance to be financed over 36 months. Payments of \$700.90, including 9% interest, are due monthly from August 23, 2003 to July 23, 2006. The loan is collateralized by the equipment and the full faith and credit of the Township.

The Township entered into an agreement to purchase a fire rescue van on October 27, 2003 for \$52,895. The full amount is financed over 4 years, with payments of \$3,548.26, including 3.5% interest paid quarterly commencing December 27, 2003 and ending September 27, 2007. The loan is collateralized by the rescue van and the full faith and credit of the Township.

Contractual obligation activity can be summarized as follows:

Governmental Activities	Interest Rate	Principal Matures	Beginning Balances	Additions (Reductions)	Ending Balances	Due Within One Year
<u>Installment Purchase Agreements</u>						
Fire Rescue Van	3.50%	9/27/07	\$ 17,070	(13,639)	\$ 3,431	\$ 3,431
Fire Truck	4.39%	4/1/10	47,699	(11,847)	35,852	9,350
Equipment	0.00%	7/23/06	701	(701)	-	-
			<u>\$ 65,470</u>	<u>\$ (26,187)</u>	<u>\$ 39,283</u>	<u>\$ 12,781</u>

Notes to the Financial Statements (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2008	12,781	1,105
2009	12,953	951
2010	13,549	374
	<u>\$ 39,283</u>	<u>\$ 2,430</u>

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

The Township provides pension benefits to all of its elected officials and full time employees through a defined contribution plan administered by Manufacturers Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on August 1st of each year. As established by the Township Board, the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by a matching contribution from the Township. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township. The Township's current year pension cost was \$5,729. The Township paid \$5,901 during the year, including participant fees. \$3,579 was paid on behalf of the employees in the current year. The contribution is 10% of covered wages, with the Township contributing 50% of the cost and the employees 50%. Covered payroll for the current year is \$103,082; and total payroll of the Township is \$143,724.

Notes to the Financial Statements (continued)

NOTE K PERMITS

Public Act 245 of 1999 (The Stille-Derossett-Hale Single State Construction Code Act) restricts the use of fees collected under this Act for the operation of the enforcing agency and/or the Construction Board of Appeals effective January 1, 2000. The following is the required accounting for such fees:

Beginning Excess Costs Over Fees Collected	\$ (16,685)
Fees Collected 2007	18,230
Wages, Professional Fees and Other Expenses	<u>(15,133)</u>
Excess Costs Over Fees Collected	<u>\$ (13,588)</u>

HOLTON TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 449,231	\$ 449,231	\$ 449,231	\$ -
Resources (Inflows)				
Property Taxes	67,800	67,800	71,447	3,647
Licenses and Permits	28,200	27,750	19,544	(8,206)
State Shared Revenue	195,000	195,000	190,855	(4,145)
Federal Revenues	-	-	1,270	1,270
Charges for Services	23,250	23,250	31,858	8,608
Interest and Rents	24,500	24,500	20,180	(4,320)
Refunds and Reimbursements	6,000	6,000	23,902	17,902
Other	9,600	10,050	1,118	(8,932)
Amounts Available for Appropriation	803,581	803,581	809,405	5,824
Charges to Appropriations (Outflows)				
General Government	375,409	375,409	246,761	128,648
Public Safety	32,640	32,640	19,759	12,881
Public Works	66,428	66,428	37,412	29,016
Community and Economic Development	18,140	18,140	7,667	10,473
Recreation and Culture	53,300	57,400	25,449	31,951
Operating Transfers Out	25,000	25,000	-	25,000
Total Charges to Appropriations	570,917	575,017	337,048	237,969
Budgetary Fund Balance-June 30, 2007	<u>\$ 232,664</u>	<u>\$ 228,564</u>	<u>\$ 472,357</u>	<u>\$ 243,793</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the Fire Fund For the Year Ended June 30, 2007

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 30,622	\$ 30,622	\$ 186,998	\$ 156,376
Resources (Inflows)				
Property Taxes	88,888	88,888	94,620	5,732
Charges for Services	27,799	27,799	30,000	2,201
Interest	5,000	5,000	8,354	3,354
Other	5,000	5,000	211	(4,789)
Amounts Available for Appropriation	157,309	157,309	320,183	162,874
Charges to Appropriations (Outflows)				
Wages and Fringes	45,000	45,000	36,463	8,537
Supplies	16,000	16,000	4,890	11,110
Contracted Services	5,000	5,000	4,027	973
Professional Services	7,000	7,000	4,812	2,188
Education and Training	4,000	4,000	2,088	1,912
Transportation	5,000	5,000	1,525	3,475
Printing and Publishing	1,000	1,000	503	497
Insurance	18,000	18,000	17,668	332
Utilities	9,000	9,000	9,218	(218)
Repairs and Maintenance	7,000	7,000	9,057	(2,057)
Miscellaneous	10,000	10,000	2,393	7,607
Capital Outlay	25,000	25,000	9,917	15,083
Total Charges to Appropriation	152,000	152,000	102,561	49,439
Budgetary Fund Balance-June 30, 2007	\$ 5,309	\$ 5,309	\$ 217,622	\$ 212,313

HOLTON TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule for the Fire Equipment Fund
For the Year Ended June 30, 2007

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 4,723	\$ 4,723	\$ 85,186	\$ 80,463
Resources (Inflows)				
Property Taxes	31,060	31,060	33,086	2,026
Interest	<u>1,200</u>	<u>1,200</u>	<u>3,029</u>	<u>1,829</u>
Amounts Available for Appropriation	36,983	36,983	121,301	84,318
Charges to Appropriations				
Debt Service	30,000	30,000	28,449	1,551
Other	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Charges to Appropriation	<u>35,000</u>	<u>35,000</u>	<u>28,449</u>	<u>6,551</u>
Budgetary Fund Balance-June 30, 2007	<u><u>\$ 1,983</u></u>	<u><u>\$ 1,983</u></u>	<u><u>\$ 92,852</u></u>	<u><u>\$ 90,869</u></u>

HOLTON TOWNSHIP

Combining Balance Sheet Non-Major Governmental Funds June 30, 2007

	Special Revenue Funds				Total Non-Major Governmental Funds
	Fire Volunteer	Liquor License	Street Lights	Perpetual Care	
ASSETS					
Cash and Investments	\$ 1,200	\$ 54	\$ 28,706	\$ 53,145	\$ 83,105
Due from Other Funds	-	1,125	-	-	1,125
Total Assets	<u>\$ 1,200</u>	<u>\$ 1,179</u>	<u>\$ 28,706</u>	<u>\$ 53,145</u>	<u>\$ 84,230</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Withheld and Accrued					
Payroll Taxes	-	24	-	-	24
Accrued Wages	-	125	-	-	125
Due to Other Funds	-	-	-	932	932
Total Liabilities	-	149	-	932	1,081
FUND BALANCES					
Fund Balances - Unreserved	1,200	1,030	28,706	17,013	47,949
Fund Balances - Reserved	-	-	-	35,200	35,200
	1,200	1,030	28,706	52,213	83,149
Total Liabilities and Fund Balances	<u>\$ 1,200</u>	<u>\$ 1,179</u>	<u>\$ 28,706</u>	<u>\$ 53,145</u>	<u>\$ 84,230</u>

HOLTON TOWNSHIP

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2007

	Special Revenue Funds				Total Non-Major Governmental Funds
	Fire Volunteer	Liquor License	Street Lights	Perpetual Care	
REVENUES					
State Sources	\$ -	\$ 1,125	\$ -	\$ -	\$ 1,125
Interest	35	15	1,038	2,509	3,597
Other	765	560	1,605	1,150	4,080
Total Revenues	800	1,700	2,643	3,659	8,802
EXPENDITURES					
Public Safety	461	1,615	-	-	2,076
Public Works	-	-	4,838	-	4,838
Total Expenditures	461	1,615	4,838	-	6,914
Excess Revenue Over (Under) Expenditures	339	85	(2,195)	3,659	1,888
OTHER FINANCING SOURCES (USES)					
Operating Transfers In (Out)	-	-	-	-	-
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	339	85	(2,195)	3,659	1,888
Fund Balance - July 1, 2006	861	945	30,901	48,554	81,261
Fund Balance - June 30, 2007	\$ 1,200	\$ 1,030	\$ 28,706	\$ 52,213	\$ 83,149

HOLTON TOWNSHIP

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2007

	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property Taxes	\$ 67,800	\$ 71,447	\$ 3,647
Licenses and Permits	27,750	19,544	(8,206)
State Shared Revenue	195,000	190,855	(4,145)
Federal Revenues	-	1,270	1,270
Charges for Services			
Sale of Lots/Burial Fees	3,250	7,200	3,950
Dump Fees	20,000	24,658	4,658
Interest	21,000	16,780	(4,220)
Rentals	3,500	3,400	(100)
Refunds and Rebates	6,000	17,923	11,923
Franchise Fees	4,600	5,979	1,379
Other	5,450	1,118	(4,332)
Total Revenues	354,350	360,174	5,824
EXPENDITURES			
General Government			
Township Board			
Salaries and Wages		20,630	
Miscellaneous		801	
	23,564	21,431	2,133
Supervisor			
Salaries and Wages		11,825	
Education and Training		876	
Miscellaneous		717	
	13,494	13,418	76
Clerk			
Salaries and Wages		12,076	
Transportation		383	
Miscellaneous		223	
	14,824	12,682	2,142

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Treasurer			
Salaries and Wages		\$ 13,961	
Transportation		499	
Miscellaneous		<u>135</u>	
	\$ 16,050	14,595	\$ 1,455
Assessor and Board of Review			
Salaries and Wages		255	
Professional Services		<u>21,080</u>	
	26,350	21,335	5,015
Elections			
Salaries and Wages		2,540	
Supplies		331	
Education and Training		242	
Miscellaneous		<u>259</u>	
	5,200	3,372	1,828
Township Hall and Grounds			
Salaries and Wages		18,649	
Supplies		4,177	
Transportation		89	
Repairs and Maintenance		5,764	
Contracted Services		2,453	
Utilities		11,278	
Miscellaneous		1,676	
Capital Outlay		3,565	
Debt Service		<u>1,375</u>	
	77,842	49,026	28,816
Cemetery			
Salaries and Wages		16,705	
Supplies and Repairs		714	
Contracted Services		3,789	
Utilities		254	
Fuel & Oil		1,928	
Miscellaneous		99	
Capital Outlay		36,250	
Debt Service		<u>701</u>	
	140,085	60,440	79,645

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

General Government			
Payroll Taxes		\$ 3,908	
Pension		3,579	
Administration		6,059	
Professional Services		15,140	
Contracted Services		1,375	
Printing & Publishing		1,472	
Insurance & Bonds		13,742	
Dues		1,399	
Miscellaneous		3,788	
	<u>\$ 58,000</u>	<u>50,462</u>	<u>\$ 7,538</u>
Total General Government	375,409	246,761	128,648
Public Safety			
Building Inspection			
Professional Services		8,149	
Miscellaneous		190	
	15,000	8,339	6,661
Electrical Inspection			
Professional Services		3,621	
Miscellaneous		241	
	4,500	3,862	638
Mechanical Inspection			
Professional Services		1,552	
Miscellaneous		93	
	3,500	1,645	1,855
Plumbing Inspection			
Professional Services		941	
Miscellaneous		93	
	4,000	1,034	2,966
Rental Administration			
Professional Services		78	
Transportation		175	
	500	253	247

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Ordinance Administration/Enforcer			
Salaries and Wages		\$ 4,390	
Transportation		236	
	<u>\$ 5,140</u>	<u>4,626</u>	<u>\$ 514</u>
Total Public Safety	32,640	19,759	12,881
Public Works			
Transfer Station			
Salaries and Wages		3,233	
Contracted Services		28,829	
Miscellaneous		180	
Capital Outlay		<u>4,770</u>	
	35,928	37,012	(1,084)
Roads, Sidewalks, and Bridges	30,000	-	30,000
County Drains	<u>500</u>	<u>400</u>	<u>100</u>
Total Public Works	66,428	37,412	29,016
Community/Economic Development			
Planning Commission			
Salaries and Wages		2,909	
Miscellaneous		<u>596</u>	
	12,330	3,505	8,825
Zoning Administration			
Salaries and Wages		3,976	
Transportation		50	
Miscellaneous		<u>136</u>	
	5,140	4,162	978
Board of Appeals	<u>670</u>	<u>-</u>	<u>670</u>
Total Community/Econ. Development	18,140	7,667	10,473

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Recreation and Cultural

Parks

Miscellaneous		\$ 564	
Capital Outlay		<u>21,723</u>	
	\$ 46,700	22,287	\$ 24,413

Library

Professional Services		1,110	
Utilities		1,714	
Miscellaneous		<u>338</u>	
	<u>10,700</u>	<u>3,162</u>	<u>7,538</u>

Total Recreation and Cultural	<u>57,400</u>	<u>25,449</u>	<u>31,951</u>
-------------------------------	---------------	---------------	---------------

Total Expenditures	<u>550,017</u>	<u>337,048</u>	<u>212,969</u>
--------------------	----------------	----------------	----------------

Excess Revenues Over (Under) Expenditures	(195,667)	23,126	218,793
--	-----------	--------	---------

OTHER FINANCING SOURCES (USES)

Operating Transfers Out	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>

Excess Revenues and Sources Over (Under) Expenditures and Uses	(220,667)	23,126	243,793
---	-----------	--------	---------

Fund Balance - July 1, 2006	<u>449,231</u>	<u>449,231</u>	<u>-</u>
-----------------------------	----------------	----------------	----------

Fund Balance - June 30, 2007	<u>\$ 228,564</u>	<u>\$ 472,357</u>	<u>\$ 243,793</u>
------------------------------	-------------------	-------------------	-------------------

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board Members
Holton Township
Holton, MI 49425

In planning and performing our audit of the financial statements of Holton Township as of and for the year ended June 30, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered Holton Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Holton Township's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Financial Statement Preparation

The management of Holton Township lacks the training to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Grand Rapids
3986 Lake Michigan Dr. NW
Grand Rapids, MI 49546
Phone (616) 453-8551
Fax (616) 453-9352

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

Page 2
Continued

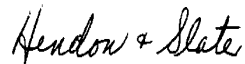
A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

Financial Statement Misstatements

Holton Township's internal controls did not identify material misstatements in the financial statements.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
October 31, 2007

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

October 31, 2007

Township Board
Holton Township
P.O. Box 328
Holton, MI 49425

Dear Board Members:

We have audited the financial statements of Holton Township as of and for the year ended June 30, 2007 and issued our report thereon dated October 31, 2007. As a part of our audit, we studied and evaluated the Township's accounting and administrative controls as well as compliance with laws having a bearing on the fair presentation of your financial statements. Because this study was only part of the overall audit plan, it is not intended to be a complete review of all your accounting procedures; and, therefore, would not necessarily disclose all weaknesses in your system. Accordingly, we offer the following comments and recommendations:

Books and Records

The books and records were in good shape. The clerk and treasurer are doing a great job working together to ensure items are being posted correctly. We have a few comments and recommendations related to such.

Cash Balances

Last year we reported that cash balances per fund reported in QuickBooks did not reflect the actual cash balances per fund. The main cause of this was that interest, payroll taxes, and pension expenses were not being separated properly to the appropriate funds. We are happy to report this issue has been corrected and that the clerk and treasurer did a great job to ensure QuickBooks had the proper cash balance breakdown per fund.

Transfer Station

Transfer station revenues and expenditures increased over the prior year 33% and 10% respectively, which decreased the annual loss to \$12,354. It has been the intent of Holton Township to provide this service even though the transfer station's revenues do not cover expenditures.

Grand Rapids
3986 Lake Michigan Dr. NW
Grand Rapids, MI 49546
Phone (616) 453-8551
Fax (616) 453-9352

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

October 31, 2007

Page 2

Chart of Accounts

Again this year we noted some minor differences between the Township's Chart of Accounts and the Michigan Department of Treasury Uniform Chart of Accounts for Counties and Local Units of Government. We recommend the Township review its chart of accounts and insure it complies with the chart of accounts required by the Michigan Department of Treasury.

Budgeting

Although it is getting closer the budget is still not in compliance with the Michigan Department of Treasury guidelines. Currently the budget includes all funds (except for fire, fire equipment and fire volunteer) in one budget. Each fund is required to have its own budget with revenues and expenditures listed separately. We recommend the township follow the guidelines as established by the Michigan Department of Treasury.

It has been a pleasure working with Holton Township and the courtesy extended to us. If you have any questions or would like help implementing any of the above procedures, please let us know.

Respectfully submitted,

A handwritten signature in black ink that reads "Jodi DeKuiper, CPA". The signature is written in a cursive, flowing style.

Jodi DeKuiper, CPA
Hendon & Slate, P.C.
Certified Public Accountants